



ANNUAL BUDGET OF

NDWEDWE LOCAL MUNICIPALITY

2012/2013 TO 2014/15

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

Copies of this document can be viewed:

- **Ndwedwe main library and mobile library at Bhamshela**
 - **Ndwedwe Thusong centre**
 - **At www.ndwedwelm.gov.za**
 - **At www.treasury.gov.za**

Table of Contents

1. Mayor's Report	3
2. Executive Summary	6
3. Consolidated Overview of the 2012/13 and MTREF	8
4. Operating Revenue Framework	9
5. Operating Expenditure Framework	10
6. Capital Expenditure	13

MAYOR'S REPORT

HONOURABLE SPEAKER MANCINZA

DEPUTY MAYOR

EXCO MEMBERS

COUNCILLORS

AMAKHOSI PRESENT, MAVELA, CHILI, CIBANE AND MLAMULA

MUNICIPAL MANAGER & OFFICIALS

ALL DEPARTMENTS PRESENT

COMRADES, YOUTH EMBASSODORS, RELIGIOUS LEADERS

COMMUNITY MEMBERS

Honorable Speaker it is great pleasure for us to meet here today where our Municipality is adopting its IDP for 2012 – 2013 financial year. We wish to thank God for keeping us alive till this day even through some of us have lost their relatives. We wish to pass our deepest condolences to those families. Since the new Council has took over we have lost our two employees may their soul rest in peace. We have also lost two of our honourable National Ministers Messer Roy Padayache and Scelo Shiceka who have worked diligently and timorously for the country. We wish to say to their family may their soul rest in peace.

We are gathered here today during a very important period where workers have just celebrated their important day may 1 where their leader talked about problems which workers encountered - and what gains the workers have achieved.

This year also some of the ruling party celebrating its 100 years since its functioning we have unenthused the celebration torch being flown to all region in Ndwedwe. The torch was receive in Thafamasi where our distinguish freedom fighter Mr Jonny Makhathini was born.

This year mark also important because it mark the end of the first year since we took over as a new Council. It is therefore important we do introspection of ourselves in term of what we have manage to achieve in order to change for the better the lives of our people , whether or not we call community meeting to report whether or not we report truth in those meeting, whether or not we are leading our people the right way, whether the people who noted us in are getting the required assistance at all times.

It is important to ask whether our employees are doing the work that are employed to do, are we honest in the way we do things that we are supposed to be doing, are we not dragging our foot in doing tasks that we are supposed to be doing whether on not the community members are getting the required assistance and respect when they visit our offices.

With this budget, I appeal to all Councillors and Employees that we work together and harder, we treat each other with respect we do away with favouritism and special preferences in the way we do our work and we avoid working as camps or groups/we are duty bound to ensure that this budget is spent appropriately.

Our minister Mr Praven Gordon indicated that Government departments or Municipalities that do not spend, under spend mis- spend their allocation funding run a risk of losing their allocation. It is therefore important that we spend our budget.

Today it is important day where we gathered here to adopt the 2012 – 2013 IDP Budge after we visited various wards to report to the community about draft IDP and budget. The communities have been given an opportunity to make their inputs because we are a democratic government where people govern.

Before I touch on some of our budget highlights, I wish to share with you some of our achievements: construction of crèche in ward 4,13 and 15 construction of community development centre in ward 6 and 7, construction of access road in ward 3 construction of a bridge in ward 9, construction o combo court sport field in ward 17 construction Sonkombo power station, civic centre and installation of street light, agreement sealed for the construction of P107 and there is a planed sod turning on 12 June 2012.

Our budget

Total budget	R108 478,164
HERE ARE SOME OF THE KEY HIGHLIGHTS OF OUR BUDGET	
1. PEOPLE WITH DISABILITIES AND WOMEN	R300 000.00
2. HIV AIDS	R200 000.00
3. INDIGENT BURIAL	R300 000.00
4. SMME'S	R300 000.00
5. GENDER AND SENOR	R600 000.00
6. STUDY ASSISTANT	R300 000.00
7. ACCESS ROAD	R400 000.00
8. YOUTH DEVELOPMENT	R400 000.00
9. SPORT AND RECREATION	R800 000.00

I request this Council to adopt this IDP and budget. I also propose that the completed civic Centre be named after our outstanding freedom fighter, CDE Johnny Makhathini. I also request that the Council also accept this proposal.

Ngiyabonga

1.2 Council Resolutions

Full Council On the 31st May 2012 held at Civic Centre adjacent to Ndwedwe main offices to consider the draft Medium Term Revenue and Expenditure Framework (MTREF) from 2012/13 to 2014/15. The Council approved and adopted the following resolutions:

1. The Council of Ndwedwe Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts draft MTREF:
 - 1.1 A1 Schedule municipal draft budget comprises of following tables:
 - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)
 - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)
 - Table A4 Budgeted Financial Performance (Revenue and expenditure)
 - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding
 - Table A6 Budgeted Financial Position
 - Table A7 Budgeted Cash Flows
 - 1.2 Tariff of charges for 2012/13 financial year
 - 1.3 Organizational structure for 2012/13 financial year

1.1 Executive Summary

This budget represents yet another milestone in the history of this municipality, this approval signify the first budget to be adopted by this Council after 2011 Local Government Elections. The application of sound financial management principles for the compilation of municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitable to communities.

The following legislations, guidelines and circulars were used as sources for the compilation of 2012/2013 MTREF budget.

- Municipal Finance Management Act (No. 56 of 2003)
- Municipal Budget and Reporting Regulations (Government Gazette 32141)
- Budget Formats Guideline
- Annual Division of Revenue Act
- Municipal Structures Act (No. 117 of 1998), as amended
- Municipal Systems Act (No.32 of 2000), as amended
- Municipal Property Rates Act (No. 6 of 2004), as amended
- Municipal Fiscal Powers and Functions Act (No. 12 of 2007)
- MFMA Circular 12: Definition of Vote in MFMA
- MFMA Circular 42: Funding a Municipal Budget
- MFMA Circular 58: Municipal Budget Circular for the 2012/13 MTREF
- Local Government Capital Asset Management Guideline

These documents are available on the National Treasury's website.

Lack of reasonable revenue base for the municipality always remain a major challenge and it poses a serious threat to service delivery targets. The high level of conditional grants to a certain extent does not address the immediate needs of the community as per priorities of the IDP. Development of Revenue Enhancement Strategy directly responds to lack of revenue base challenge.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarized as follows:

- Slow pace of Town development and proclamation certain designated area of Ndwedwe as Town,
- High number of poorly maintained community access roads or non existent at all.
- Substantial need of community infrastructure e.g. Sportsfields
- The perpetual increase in demand for Eskom electricity supply hence water supply by District Council.
- The need to increase municipal fleet in order to meet minimum service delivery standards
- Maintain an adequate balance filling the vacant posts and budget percentage of salaries against overall budget.
- The high prevalent of indigent households within Ndwedwe municipality.
- The re-demarcations of municipal boundaries has adversely affected revenue base
- Lack of revenue base

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI.
- Budget items that were not properly utilized during April 2012 were considered versus the SDBIP and other competing needs from other budget items.
- The 2011/12 Adjustments Budget priorities and targets, as well as the baseline allocations contained in that Adjustments Budget were used as the upper limits for the baselines for the 2012/13 annual budget.

2. In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2012/13 MTREF

R thousand	Adjustments Budget 2011/12	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total Operating Revenue	100,013,009	108,478,164	128,696,772	124,241,377
Total Operating Expenditure	63,063,009	74,516,930	84,242,307	84,907,115
(Surplus)/Deficit for the year	(36,950,000)	(33,961,234)	(44,454,465)	(39,346,917)
Total Capital Expenditure	36,950,000	33,961,234	44,454,465	39,346,917

Total operating revenue has grown by 8, 0 per cent or R8 465 155 million for the 2012/13 financial year when compared to the 2011/12 adjusted budget. For the two outer years, operational revenue will increase by 18, 6 percent and decrease by 3, 4 per cent respectively, equating to a total revenue growth of R15 775 868 million over the MTREF when compared to the 2011/12 financial year. This is mainly due to the substantial increase on the Equitable Share allocations and also other conditional grants allocations to the municipality.

Total operating expenditure for the 2012/13 financial year has been appropriated at R74 516 930 million when compared to the 2011/12 adjusted budget, operational expenditure has grown by 16,6 per cent in the 2012/13 budget and by 13,10 and 0,77 per cent for each of the respective outer years of the MTREF. The projected operating surplus is ring-fenced for Capital Expenditure as indicated on the table.

The Capital Expenditure has decrease by 5, 44 per cent or R2 988 766 million when compared to the 2011/12 adjusted budget. For the two outer years the total capital expenditure will increase by 30.90 and decrease by 11,49 per cent respectively. Source of funding for total capital budget is 73 per cent financed by conditional grant funding whilst the remaining 27 per cent is financed through Equitable Share allocation.

3. Operating Revenue Framework

Existence of Revenue Enhancement Strategy is a good catalyst of ensuring that limited sources of revenue available are utilized to the full benefit of Council. Revenue enhancement strategy is implemented and forms part of daily operations of the Finance department. The changes of municipal boundaries also has a huge impact on the operating revenue of the municipality.

National Treasury's MFMA circular No.51 deals, inter alia with the implementation of the MPRA, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. Ndwedwe municipality always complies with the provisions of the regulations when setting up tariffs on assessments rates.

The new valuation roll is exclusive of properties that have been re-demarcated into KwaDukuza municipality. Municipal Valuer submitted the amended valuation roll now we are able to quantify the extent of revenue loss as results new municipal boundaries that came into being in the recent local government elections. Since 2011/12 financial year was the last period of assessment rates phase-in, the rate randage is reviewed with an aim to ensure that rate payers do not entirely absorb the sudden increase.

Table 2 Summary of revenue classified by main revenue source is attached for ease of reference.

Table 3 Percentage growth in revenue by main revenue source is attached for ease of reference.

4. Operating Expenditure Framework

The Council's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit.
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA,
- The capital programmes are aligned to the asset renewal strategy and backlog eradication plan,
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The budgeted allocation for employee related costs inclusive of councilors allowances for the 2012/13 financial year totals R29 035 842 million, which equals 38.97 per cent of the total operating expenditure. At the time of preparing 2012/13 SALGA was yet to issue a directive in terms of possible percentage increase on salaries. Draft budget salary increase is based on Circular No. 58 probably before the final budget is adopted SALGA would have given a clear direction in this regard.

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's draft budget.

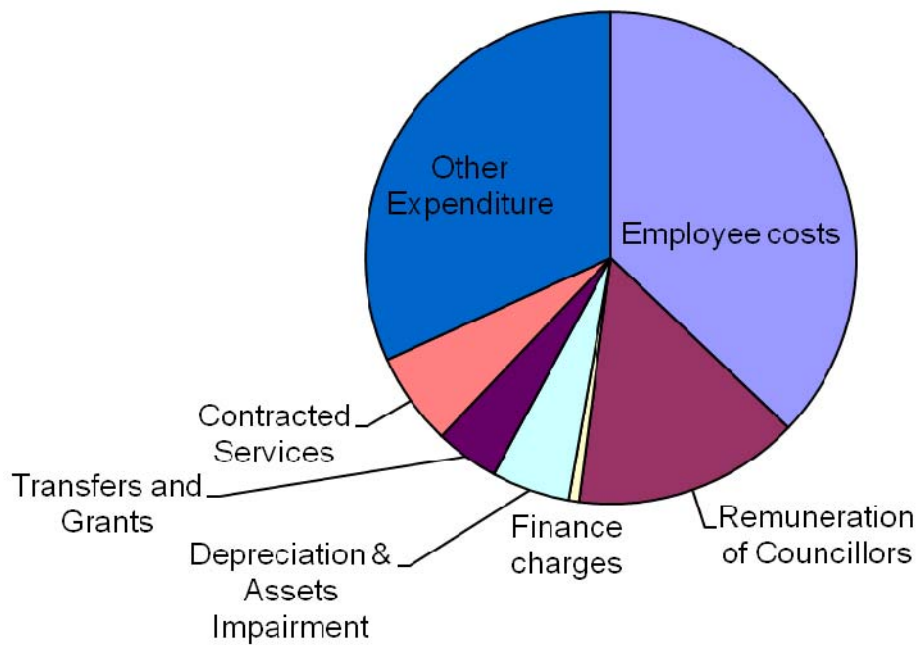
Provision for depreciation and asset impairment has been informed by the municipality's Fixed Asset management policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total to R3 000 000 thousand rand for 2012/13 financial year and equates to 4 per cent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0, 7 per cent (R400 000) of operating expenditure excluding annual redemption for the 2012/13.

Other expenditure comprises of various line items relating to the daily operations of the municipality.

The following table gives breakdown of the main expenditure categories for the 2012/13 financial year.

Main operational expenditure categories for 2012/13



Priority given to repairs and maintenance

A substantial budget is allocated towards upgrading of access roads and sport fields, the allocation for repairs and maintenance is 11 per cent of the total operating expenditure budget for the 2012/13 financial year. Technical department is yet to come up with a properly quantified asset renewal strategy and repairs & maintenance plan for the municipality which shall inform the future budgets for repairs and maintenance. In order to alleviate budgetary constraints to the municipality it would be prudent for the municipality to hand over to department transport all roads that have been completed and in compliance with specifications of Provincial department of roads and transport. Table related to repairs and maintenance is also attached for ease reference.

5. Capital Expenditure

For the 2012/13 infrastructure budget is R30 868 482 (MIG roads, bridge and sport fields) and R840 000 (sports field rehabilitation). These amounts accounts for 93 per cent of the total capital budget for the 2012/13 financial year. No provision for additional fleet or plant and equipment which is a due to limited financial resources however the need to have additional fleet is there in order to ensure proper service delivery. A detailed capital budget is attached for ease of reference. [KZN 293 A1 Schedule - FINAL 20042011.xlsx](#)

Annual budget tables

All budget tables as required in terms of Section 8 of the municipal budget and reporting regulations are enclosed as part this analysis.

Part 2 – Supporting Documentation**2.1 Overview of the annual budget process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Portfolio for Finance.

2.1.1 Budget Process Overview

- In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.
- The Mayor tabled in Council the required the IDP and budget time schedule on 1 August 2011. Key dates applicable to the process were:
 - **August 2011** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritization criteria for the compilation of the 2011/12 MTREF;
 - **September to November 2011** – Prepare draft IDP review, budget and OPMS. Present to Exco and Council, advertise, community consultation and, Closing dates for comments in draft IDP review
 - **December 2011** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
 - **January 2012** – Incorporate comments received, present draft IDP review, budget and OPMS to Exco for recommendations, present draft IDP review to Council and submit to DLGTA for assessments
 - **January 2012** – Assess mid-year budget and performance to inform adjustment, Mayor tables budget adjustment for the current financial year and council budget adjustment
 - **February to March 2012** – align draft budget and IDP review report, finalise budget for the next three years in prescribed format, Mayor tables draft multi-years' budget, tariffs and budget policies to council,
 - **April 2012** – Public consultation, closing date for written comments.
 - **6 to 21 May 2011** – finalization of the 2012/13 IDP and 2012/13 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework
 - **31 May 2012** - Tabling of the 2012/13 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and SDBIP

This is first review of IDP adopted by the council in May 2011

It started in September 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2011/12 MTREF in August.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2012/13 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2012/13 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Performance trends
- The approved 2011/12 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritization process.

2.1.4 Community Consultation

The draft 2012/13 MTREF as tabled before Council on March 2012 for community consultation was published on the Ilanga Newspaper, and hard copies were made available at customer care offices, municipal notice boards and various libraries. In addition a further development of this year's consultation process included Mayoral Izimbizo. All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilized to facilitate the community consultation process during April 2012, and included public briefing sessions.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalization of the 2012/13 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

Refer to table SA4, SA5, SA6 and SA7 highlights the IDP's five strategic objectives for the 2011/12 MTREF and further planning refinements that have directly informed the compilation of the budget:

2.3 Measurable performance objectives and indicators

The Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organizational performance which in turn is directly linked to individual employees' performance. At this stage performance management applies to Section 57 employees and the municipality intends to cascade it to junior employees.

2.3.1 Free basic Services

Not applicable in our municipality

2.3.2 Providing clean water and managing waste water

Not applicable in our municipality, it is a District function.

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The council approved 2013 MTREF budget and the following budget related policies

Review of credit control and debt collection policies

Asset Management Policy

Supply Chain Management Policy

Budget and Virement Policy**Cash Management and Investment Policy****Tariff Policies**

- Tariff Increases;

2.5 Overview of budget assumptions**2.5.1 External factors**

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8 per cent last year and about 900 000 people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2011 will be 2.3 per cent rising to 3.6 per cent by 2012.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the City's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2012/13 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs including councilors comprise 38.9% per cent of total operating expenditure in the 2012/13 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2009 as well as the categorization and job evaluation wage curves collective agreement signed on April 2011 must be noted.

2.5 Overview of budget assumptions**2.5.1 External factors**

The *Medium Term Budget Policy Statement 2011* notes that in recent months the domestic economy has lost momentum as a result of the disruption to world economic activity following the Japanese tsunami, domestic strike activity and moderating household consumption. In the first

quarter of 2011, the economy grew at 4.5 per cent on an annual basis. In the second quarter, growth slowed to 1.3 per cent. Real GDP is now expected to grow by 3.1 per cent in 2011 – a downward revision from the 3.4 per cent forecast in the 2011 Budget.

The labour market remains sluggish. Formal sector non-agricultural employment is just 2.6 per cent higher than its low in March 2010. Unemployment increased from 21.8 per cent in the fourth quarter of 2008 to 25.7 per cent in the second quarter of 2011. This figure does not capture the estimated 2.2 million workers who have stopped looking for work.

Consequently, municipal revenues and cash flows are expected to remain under pressure in 2012/13 and *so municipalities must adopt a conservative approach when projecting their expected revenues and cash receipts*. Municipalities should also pay particular attention to managing all revenue and cash streams effectively and carefully evaluate all spending decisions.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2012/13 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Ndwedwe Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 38.9 per cent of total operating expenditure in the 2012/13 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2009 as well as the categorization and job evaluation wage curves collective agreement signed on 21 April 2010 must be noted.

2.5.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilized to fund capital or refinancing of borrowing in certain conditions. For the 2012/13 budget Ndwedwe Municipality has not engaged in any financing arrangements for capital funding.

2.5.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (62 per cent) of annual billings. Cash flow is assumed to be 62 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.6 Growth or decline in tax base of the municipality

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the Municipality, and an increase in properties.

2.5.7 Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012. Year three is an across the board increase of 8.54 per cent. The new wage agreement is not yet finalized.

2.5.8 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focused service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2011/12 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

	Budget year	Budget year	Budget year
Description	2012/2013	2013/2014	2014/2015

	(R 000)	(R 000)	(R 000)
Property rates	7592	7972	8450
Investment revenue	3000	3000	3500
Transfers recognized - operational	62985	73931	73632
Other own revenue	940	987	1053

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2012/13 medium-term capital programme:

Sources of capital revenue over the MTREF are transfers from National Treasury and Provincial Treasury, refer to A5 and SA18.

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table A7 and SA30 is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from „Ratepayers and other“ to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue.

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

Table A8 meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA.

2.7 Expenditure on grants and reconciliations of unspent funds

The expenditure on grants is clearly allocated on Table SA19.

2.8 Councilors and employees benefits

Councilors and employees remuneration are clearly outlined in Table SA22 and SA 23

2.9 Monthly targets for revenue, expenditure and cash flow

Monthly targets are clearly outlined in table S.A25, SA26, SA27, SA28, SA29 And SA30.

2.10 Annual budgets and SDBIPs – internal departments

Annual budget was approved by council on the 31 May 2012 and the SDBIP will be approved by the council within council within 28 working days.

2.11 Contracts having future budgetary implications

No contracts are awarded beyond the medium-term revenue and expenditure framework (three years).

2.12 Capital expenditure details

Capital expenditure programmes are clearly outlined in table SA34A, SA34C and SA36.

2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In-year reporting

Reporting to Provincial Treasury and National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) is also done on monthly basis.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Of the five interns two have been appointed permanently.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2012/13 MTREF in May 2012 directly aligned and informed by the 2012/13 MTREF.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

The MFMA training module in electronic format is presented at the Municipality and training is ongoing.

8. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice has been complied with.